

# **CALHOUN COUNTY, MICHIGAN**



## **SINGLE AUDIT**

**For The Year Ended  
December 31, 2006**



**REHMANN ROBSON**

*Certified Public Accountants*

# CALHOUN COUNTY, MICHIGAN SINGLE AUDIT

## TABLE OF CONTENTS

### YEAR ENDED DECEMBER 31, 2006

---

	<u>PAGE</u>
Schedule of Expenditures of Federal Awards .....	1-3
Notes to Schedule of Expenditures of Federal Awards .....	4-5
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i> .....	6-7
Independent Auditors' Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133 .....	8-10
Schedule of Findings and Questioned Costs .....	11-13

\* \* \* \* \*

**CALHOUN COUNTY, MICHIGAN**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended December 31, 2006**

Federal Agency/Pass-Through Grantor/Program Title	CFDA #	Pass-Through Grantor # or Agreement #	Federal Expenditures
<b>U.S. Department of Agriculture</b>			
<b>Passed through Michigan Department of Education:</b>			
School Breakfast Program	10.553		\$ 15,661
National School Lunch Program	10.555		28,614
Food Donation			
Entitlement Commodities	10.550		6,376
Bonus Commodities	10.550		402
			<hr/>
<b>Subtotal - Michigan Department of Education</b>			51,053
			<hr/>
<b>Passed through Michigan Department of Community Health:</b>			
Special Supplemental Nutrition Program for Women, Infants and Children	10.557		561,433
			<hr/>
<b>Total U.S. Department of Agriculture</b>			612,486
			<hr/>
<b>U.S. Department of Housing and Urban Development</b>			
<b>Passed through the Michigan State Housing Development Authority:</b>			
Community Development Block Grant/Entitlements Grants	14.218	MSC-97-0774-HO	33,771
			<hr/>
<b>Total U.S. Department of Housing and Urban Development</b>			33,771
			<hr/>
<b>U.S. Department of Justice</b>			
<b>Bureau of Justice Assistance</b>			
Drug Court Discretionary Grant Program	16.585	2003-DC-BX-0077	135,758
			<hr/>
<b>Subtotal - U.S. Department of Justice</b>			135,758
			<hr/>
<b>Passed through Michigan Department of Community Health:</b>			
Office of Drug Control			
Edward Byrne Memorial Formula Grant Program:			
Southwest Enforcement Team	16.579	70888-6-04-B	23,003
Southwest Enforcement Team	16.579	70888-7-06-B	9,338
Calhoun County Drug Court	16.579	SCAO-2006-026	61,808
Calhoun County Drug Court	16.579	SCAO-2007-007	18,133
			<hr/>
<b>Subtotal - Michigan Department of Community Health</b>			112,282
			<hr/>
<b>Passed through Michigan Family Independence Agency :</b>			
Juvenile Justice and Delinquency Prevention	16.523	JAIBG-05-13001	21,685
Juvenile Justice and Delinquency Prevention	16.523	JAIBG-06-13001	14,551
			<hr/>
<b>Subtotal - Michigan Family Independence Agency</b>			36,236
			<hr/>
<b>Total U.S. Department of Justice</b>			284,276
			<hr/>

**CALHOUN COUNTY, MICHIGAN**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended December 31, 2006**

Federal Agency/Pass-Through Grantor/Program Title	CFDA #	Pass-Through Grantor # or Agreement #	Federal Expenditures
<b>U.S. Department of Transportation</b>			
<b>Passed through Michigan Office of Highway Safety Planning:</b>			
State and Community Highway Safety:			
You Drink, You Drive, You Lose	20.600	PT-06-44	\$ 7,897
You Drink, You Drive, You Lose	20.600	PT-07-17	843
Click It or Ticket	20.600	PT-06-44	5,738
Youth Alcohol Enforcement	20.600	AL-06-22	1,075
			15,553
<b>Total U.S. Department of Transportation</b>			15,553
<b>U.S. Environmental Protection Agency</b>			
<b>Passed-through the Michigan Department of Environmental Quality:</b>			
Operator Certification	66.471		3,000
<b>Total Environmental Protection Agency</b>			3,000
<b>U.S. Department of Health and Human Services</b>			
Direct Program			
Consolidated Health Centers			
McKinney	93.224		444,137
<b>Passed through Michigan Department of Community Health:</b>			
Family Planning Services	93.217		27,345
Healthy Communities Access Program	93.252		544,633
Immunization Grants			
Immunization - IAP	93.268		62,557
Childhood Immunization Grants - VFC Provider visits	93.268		6,100
Vaccines	93.268		637,108
Medical Assistance Program			
CSHC Care Coordinator	93.778		3,746
Case Management Services	93.778		34,857
Cooperative Agreements for State-Based Comprehensive			
Breast and Cervical Cancer Early Detection Programs	93.283		40,382
Center for Disease Control and Prevention Investigation Technical Assistance	93.283		240,811
HIV Prevention Activities	93.940		32,947

**CALHOUN COUNTY, MICHIGAN**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended December 31, 2006**

Federal Agency/Pass-Through Grantor/Program Title	CFDA #	Pass-Through Grantor # or Agreement #	Federal Expenditures
<b>U.S. Department of Health and Human Services</b>			
<b>Passed through Michigan Department of Community Health:</b>			
Maternal and Child Health Service Block Grant to States			
Local MCH	93.994		\$ 106,314
Case Management Services	93.994		17,643
Family Planning	93.994		<u>5,505</u>
<b>Subtotal - Michigan Department of Community Health</b>			<u>1,759,948</u>
<b>Passed through Michigan Family Independence Agency:</b>			
Family Support Payments to States - Assistance Payments	93.560		<u>248,797</u>
Child Support Enforcement:			
Friend of the Court	93.563	CS/FOC-06-13001	1,561,160
Friend of the Court	93.563	CS/FOC-07-13001	539,792
Prosecuting Attorney	93.563	CS/PA-06-13002	222,966
Prosecuting Attorney	93.563	CS/PA-07-13002	81,907
Medical Support Payments	93.563	CS/MED-06-13001	<u>76,116</u>
<b>Subtotal - Total Michigan Family Independence Agency</b>			<u>2,481,941</u>
<b>Total U.S. Department of Health and Human Services</b>			<u>4,934,823</u>
<b>U.S. Department of Homeland Security</b>			
<b>Passed through Michigan Department of Labor &amp; Economic Growth:</b>			
Community Emergency Response Training	97.004		115,321
<b>Passed through Michigan Department of State Police:</b>			
State Domestic Preparedness Equipment Support Program			
2004 Homeland Security Grant Program	97.004		144,955
2004 Homeland Security Grant Program - Interoperable Communications	97.004		21,244
Hazard Mitigation Grant Agreement	97.039		18,750
Homeland Security Grant Program			
2005 Homeland Security Grant Program	97.067		461,177
Emergency Management Performance Grant	97.067		<u>20,894</u>
<b>Total U.S. Department of Homeland Security</b>			<u>782,341</u>
<b>Total Federal Financial Assistance</b>			<u><u>\$ 6,666,250</u></u>

# CALHOUN COUNTY, MICHIGAN

## Notes to Schedule of Expenditures of Federal Awards

---

### 1. BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Calhoun County, Michigan (the “County”) and is presented on the accrual basis of accounting.

The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

# CALHOUN COUNTY, MICHIGAN

## Notes to Schedule of Expenditures of Federal Awards

### 2. FUNDS WITH OTHER YEAR ENDS

The expenditures of federal awards of the Health Department are presented in the accompanying schedule using its fiscal year end of September 30, 2006, and are as follows:

<u>Program Title</u>	<u>CFDA Number</u>	<u>Amount</u>
Special Supplemental Nutrition Program for Women, Infants and Children	10.557	\$ 561,433
Operator Certification	66.471	3,000
Family Planning Services	93.217	27,345
Consolidated Health Centers - McKinney	93.224	444,137
Healthy Communities Access Program	93.252	544,633
Immunization Grants	93.268	68,657
Federal Vaccines	93.268	637,108
Medical Assistance Program	93.778	38,603
Cooperative Agreements for State-Based Comprehensive Breast and Cervical Cancer Early Detection Programs	93.283	40,382
Centers for Disease Control and Prevention – Investigations and Technical Assistance	93.283	240,811
HIV/AIDS Syndrome Surveillance	93.940	32,947
Maternal and Child Health Service Block Grant to States:		
Local MCH	93.994	106,314
Case Management Services	93.994	17,643
Family Planning	93.994	5,505

\* \* \* \* \*



**REHMANN ROBSON**

*Certified Public Accountants*

A member of THE REHMANN GROUP

an independent member of  
**BAKER TILLY**  
INTERNATIONAL

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE  
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

June 23, 2007

To the Board of Commissioners  
of Calhoun County  
Marshall, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of *Calhoun County, Michigan* as of and for the year ended December 31, 2006, and have issued our report thereon dated June 23, 2007. Our report was modified to include a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Other auditors audited the financial statements of the Medical Care Facility Enterprise Fund, the Delinquent Tax Revolving Enterprise Fund, and the Land Bank Authority Component Unit, as described in our report on Calhoun County's financial statements. The financial statements of the Medical Care Facility were not audited in accordance with *Government Auditing Standards*. This report does not include the results of other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by other auditors.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Calhoun County, Michigan's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency.



A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the County's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the County's financial statements that is more than inconsequential will not be prevented or detected by the County's internal control. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2006-1 to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the County's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies, and accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that the significant deficiency described above is not a material weakness.

However, we noted other matters involving the internal control over compliance, financial reporting and/or operating efficiency that we have reported to management of Calhoun County in a separate letter dated June 23, 2007.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Calhoun County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Calhoun County's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit Calhoun County's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, others within the organization, the Board of Commissioners and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, reading "Lehmann Johnson". The signature is written in a cursive, flowing style.



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH  
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM  
AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE  
WITH OMB CIRCULAR A-133**

June 23, 2007

To the Board of Commissioners  
of Calhoun County  
Marshall, Michigan

**Compliance**

We have audited the compliance of *Calhoun County, Michigan* with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2006. *Calhoun County, Michigan's* major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of *Calhoun County, Michigan's* management. Our responsibility is to express an opinion on *Calhoun County, Michigan's* compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about *Calhoun County, Michigan's* compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on *Calhoun County, Michigan's* compliance with those requirements.

In our opinion, the County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2006.

## **Internal Control Over Compliance**

The management of *Calhoun County, Michigan* is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered *Calhoun County, Michigan's* internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

## **Schedule of Expenditures of Federal Awards**

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of *Calhoun, County, Michigan* as of and for the year ended December 31, 2006, and have issued our report thereon dated June 23, 2007. We did not audit the financial statements of the Medical Care Facility and the Delinquent Tax Revolving Fund, which are major funds, and therefore, separate opinion units. Those financial statements were audited by other auditors whose reports were furnished to us. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of management, others within the organization, the Board of Commissioners and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, reading "Lehmann Lohson". The signature is written in a cursive style with a large, prominent 'L' at the beginning.

# CALHOUN COUNTY, MICHIGAN

## Schedule of Findings and Questioned Costs

For the Year Ended December 31, 2006

---

### SECTION I - SUMMARY OF AUDITORS' RESULTS

#### Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified? \_\_\_\_\_ yes    X no

Significant deficiency(ies) identified  
not considered to be material weaknesses? X yes    \_\_\_\_\_ none reported

Noncompliance material to financial statements  
noted? \_\_\_\_\_ yes    X no

#### Federal Awards

Internal Control over major programs:

Material weakness(es) identified? \_\_\_\_\_ yes    X no

Significant deficiency(ies) identified  
not considered to be material weaknesses? \_\_\_\_\_ yes    X none reported

Type of auditors' report issued on compliance  
for major programs: Unqualified

Any audit findings disclosed that are required  
to be reported in accordance with  
Circular A-133, Section 510(a)? \_\_\_\_\_ yes    X no

# CALHOUN COUNTY, MICHIGAN

## Schedule of Findings and Questioned Costs (Continued)

For the Year Ended December 31, 2006

---

### SECTION I - SUMMARY OF AUDITORS' RESULTS (Concluded)

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.557	Special Supplemental Nutritional Program for Women, Infants and Children
93.224	Consolidated Health Centers (McKinney)
93.268	Immunization Grants

Dollar threshold used to distinguish  
between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee?   X   yes        no

### SECTION II – FINANCIAL STATEMENT FINDINGS

#### 2006-1 Preparation of Financial Statements in Accordance with GAAP

**Criteria:** All Michigan governments are required to prepare financial statements in accordance with generally accepted accounting principles (GAAP). This is a responsibility of the government's management. The preparation of financial statements in accordance with GAAP requires internal controls over both (1) recording, processing, and summarizing accounting data (i.e., maintaining internal books and records), and (2) reporting government-wide and fund financial statements, including the related footnotes (i.e., external financial reporting.)

# **CALHOUN COUNTY, MICHIGAN**

## **Schedule of Findings and Questioned Costs (Concluded)**

**For the Year Ended December 31, 2006**

---

**Condition:** As is the case with many smaller and medium-sized entities, the County has relied on its independent external auditors to assist in the preparation of the financial statements. Accordingly, the government's ability to prepare financial statements in accordance with GAAP is based, in part, on its reliance on its external auditors, who cannot by definition be considered a part of the government's internal controls.

**Cause:** This condition was caused by the County's decision that it is more cost effective to outsource the preparation of its annual financial statements to the auditors than to incur the time and expense of obtaining the necessary training and expertise required for the government to perform this task internally.

**Effect:** As a result of this condition, the government lacks internal controls over the preparation of financial statements in accordance with GAAP, and instead relies, in part, on its external auditors for assistance with this task.

**Management's response:** The County has evaluated the cost vs. benefit of establishing internal controls over the preparation of financial statements in accordance with GAAP, and determined that it is in the best interests of the government to outsource this task to its external auditors, and to carefully review the draft financial statements and notes prior to approving them and accepting responsibility for their content and presentation.

### **SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

No matters were reported.

### **SECTION IV – PRIOR YEAR FINDINGS**

No matters were reported.